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PP RUEHAG
DE RUEHMD #1035/01 1151256
ZNY CCCCC ZZH
P 251256Z APR 06
FM AMEMBASSY MADRID
TO RUEHC/SECSTATE WASHDC PRIORITY 9535
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHUB/USINT HAVANA PRIORITY 0115

C O N F I D E N T I A L SECTION 01 OF 03 MADRID 001035

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DEPARTMENT FOR EUR/WE AND WHA/CCA

E.O. 12958: DECL: 04/21/2016
TAGS: [ETRD](#) [ETTC](#) [PREL](#) [CU](#) [SP](#)
SUBJECT: SPAIN/CUBA: TITLE III OF LIBERTAD ACT

REF: STATE 57782

Classified By: DCM Bob Manzanares; Reason 1.4 (D)

¶1. (C) Spain is believed to be the largest foreign investor in Cuba, though Spanish companies avoid publishing precise data out of concern that such information will be used to further U.S. enforcement actions under the Libertad Act. Cuba is the third-largest market for Spain in Latin America, after Mexico and Brazil, and Spanish exports to Cuba in 2005 were valued at \$488 million. Spain is also Cuba's second-largest supplier of non-petroleum goods, accounting for approximately 13 percent of Cuban imports. However, the Zapatero government has not reinstated the provision of risk insurance through the "Spanish Credit Insurance Company" (CESCE) for sales to and investments in Cuba; CESCE suspended insurance for Cuba due to delays in Cuba's repayment of \$600 million in debts. Spanish analysts believe two-way trade between Spain and Cuba would increase by \$200 million if CESCE resumed insurance coverage for business deals with Cuba.

¶2. (C) Although there is no indication that CESCE insurance will be resumed in the near future, both Spanish businesses and the Spanish government believe Spain has important long-term commercial interests in Cuba. This perception, combined with strong cultural and family bonds between Spain and Cuba, limits Spain's readiness to confront the Castro regime. There is also broad-based Spanish antagonism towards the Libertad Act and other Cuba sanctions. This antagonism cuts across party lines; both the ruling Socialist Party and the opposition Popular Party would likely seek retaliatory action by the EU in the event of an enforcement action against a Spanish Company under the Libertad Act.

//RESPONSES TO NSC TASKING//

¶3. (C) Responses below are keyed to questions posed in reftel, paragraph 5:

What is the nature of Spanish investments in Cuba?:

- The "Association of Spanish Companies in Cuba" (AEEC) represents over 170 Spanish businesses that trade with or invest in Cuba. Spanish companies, mostly small and medium sized businesses, account for approximately 25 percent of foreign investment in Cuba. These companies are well aware of the potential for U.S. legal action against them under the Libertad Act and are careful to obscure information related to their investments in Cuba. Spanish companies are particularly active in tobacco, hotels and tourism, foodstuffs, construction, and light manufacturing. The following information describes the major Spanish investments in Cuba:

-- Grupo Altadis: Tobacco. Unspecified location. Investment amount unknown, but believed to represent the single largest

Spanish investment in Cuba. According to news reports, Cuba sold 160 million cigars in 2005 through Altadis, mostly to Spain and other EU countries, accounting for approximately \$350 million in sales.

-- Grupo Sol Melia: Hotel/Tourism. Sol Melia has 21 locations in Cuba, including in Havana, Varadero, Cayo Largo, Cayo Santa Maria, Ciego de Avila, Cayo Largo del Sur, Cayo Guillermo, Playa Esmeralda, and Santiago de Cuba. The company announced plans to open a new 925-room hotel Cayo Santa Maria in 2006. The total investment amount is unknown, but Sol Melia invested at least \$50 million in Cuba during 2004-2005. Sol Melia is the largest foreign hotel chain in Cuba, managing nearly 6,000 rooms.

-- Repsol YPF: Energy. Investments in Cuban territorial waters. According to press reports, total Repsol investment is \$25-40 million.

-- Barcelo: Hotel/Tourism. Investments in Varadero, Cayo Largo del Sur, and Cayo Coco. Investment amount unknown.

-- Inversiones Ibersuiza: Commercial investment. Investments in Cienfuegos and Santiago de Cuba. According to press reports, Inversiones Ibersuiza has invested a total of \$150 million in various Cuban projects.

-- Occidental Hotels and Resorts: Hotel/Tourism. Investments in Havana and Playa Yuraguanal. Investment amount unknown.

-- Grupo Pinero: Hotel/Tourism. Investment in Varadero. Investment of at least \$2 million according to press reports.

-- Iberostar: Hotel/Tourism. Investments in Varadero, Cayo

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Coco, and Trinidad. Investment amount unknown.

-- NH Hoteles: Hotel/Tourism. Investments in Havana. Investment amount unknown.

-- Grupo Riu: Hotel/Tourism. Location in Varadero. Investment amount unknown.

-- Hotetur: Hotel/Tourism. Investments in Varadero and Havana. Investment amount unknown.

-- Aguas de Barcelona: Utility. Investment in Havana in joint venture with Aguas de La Habana. Initial investment of \$2 million in 2002, subsequent investment amounts unknown. Press reports indicate that Aguas de Barcelona is considering selling its Cuba operations as part of the company's general withdrawal from small markets in Latin America.

-- Grupo Freixenet: Alcoholic Beverages. Unspecified location.

-- Iberia Airlines: Transportation. Investment in Varadero. Investment amount unknown.

In addition, Spanish energy company Iberdrola has previously undertaken projects in Cuba to refurbish power plants. Also Spanish banks Banesto and BBVA have financed construction of hotels and other investments in Cuba. We have no information regarding current operations in Cuba by these companies.

14. (C) - Are there any bilateral trade agreements between Spain and Cuba?:

There is a bilateral "Commission on Economic-Industrial Cooperation" between Spain and Cuba that is intended to promote bilateral trade and investment. The work of the Commission has been suspended for several years due to disputes over Cuba's non-payment of debt to Spanish entities and other differences.

15. (C) - Are there any exchange programs between Spain and Cuba?:

-- There are no exchange programs between Spain and Cuba. However, Spanish regional governments have substantial assistance programs in Cuba. Over 90 percent of Spanish development assistance to Cuba comes from regional governments, with less than 10 percent provided by the central government. Such assistance is channeled primarily through the Cuban government, and to a lesser degree through multilateral aid organizations.

16. (C) - Has Spain worked to promote the advancement of democracy and human rights in Cuba?:

-- The Spanish government supports democratic objectives in Cuba, but, unlike the USG, believes that when Castro passes from the scene, a succession is preferable to a rapid transition. Spain's view is conditioned by the experience of its own democratic transition (which took place over more than five years) and its fear that rapid change may destabilize Cuba and lead to a humanitarian disaster. As a result, Spain is focused on building relationships with potential successors to Castro, believing Spain will be able to steer them in a positive direction after Castro's death. This outlook limits Spain's willingness to take a tough stand against the Castro regime. In response to USG suggestions of coordination on Cuba, Spain has indicated a desire to coordinate transition planning with the USG. These discussions form part of a broader effort to strengthen U.S.-Spain coordination in Latin America.

-- Within the EU, Spain is unlikely to deviate from its support for continued engagement with the Cuban government, though the Cuban regime's refusal to ease political conditions in response to the suspension of the EU's restrictive measures has tempered Spain's readiness to advocate closer EU relations with Havana. On April 22, Foreign Minister Miguel Angel Moratinos stated Spain's position that there should be no "reversal" in EU policy towards Cuba, though "Cuba should take into account that it has to go further, and that if it makes a positive gesture we shall be able to improve its relations with the EU."

17. (C) - Have there been any high level visits by Spanish officials to Cuba in the past six months?:

-- Deputy Foreign Minister Bernardino Leon is the highest-ranking Spanish official to visit Cuba in the last six months. The primary purpose of his visit was to attend

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peace talks in Havana between Colombian ELN guerrillas and the Colombian government, but Leon also met with Cuban Foreign Minister Felipe Perez Roque as well as with dissident leaders.

AGUIRRE